

## Message Text

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ACTION PM-04

INFO OCT-01 NEA-10 ISO-00 NSC-05 SP-02 SS-15 CIAE-00  
INR-07 NSAE-00 L-03 /047 W  
-----003371 300526Z /20

P R 300224Z JUN 77  
FM AMEMBASSY TEHRAN  
TO SECSTATE WASHDC PRIORITY 3319  
SECDEF WASHDC PRIORITY  
INFO USCINCEUR VAIHINGEN

C O N F I D E N T I A L TEHRAN 5775

STATE FOR UNDERSECY FOR SECURITY ASSISTANCE BENSON

PM FOR DIR GELB

DEFENSE FOR SECY BROWN, DEPSECY DUNCAN, ASSISTANT SECY FOR ISA  
MC GIFFERT

CJCS GEN BROWN

E.O. 11652: GDS  
TAGS: MASS IR  
SUBJ: INCENTIVES FOR CONTRACTORS TO WORK THEMSELVES OUT OF A JOB

1. I WAS DELIGHTED TO SO SEE SUBJECT INCLUDED IN THE  
ONGOING INTERAGENCY IRAN MILITARY SUPPLY STUDY. IT  
SEEMS TO ME IMPORTANT TO INCREASE IMPHASIS ON IT. THE  
QUESTION WAS DISCUSSED DURING MY SFRC HEARINGS, AND I  
STATED THAT I WAS GOING TO TRY TO DO SOMETHING ABOUT  
IT VERY EARLY ON. IT ALSO CAME UP IN ALL MY INPORTANT  
SESSIONS IN THE PENTAGON, INCLUDING WITH SECY  
BROWN AND THE JCS. DEPSECY OF DEF DUNCAN  
MADE CLEAR THAT IT IS OF CENTRAL INTEREST TO HIM, AND  
STATED HIS DETERMINATION TO SEEK CONRETE PROGRESS  
WITH RESPECT TO IT.

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2. CERTAINLY THE PRESIDENT'S NEW ARMS SALES POLICY OF  
RESTRAINT WILL BE MARKEDLY MORE SUCCESSFUL IF CONTRACTORS  
HAVE THE MAXIMUM INCENTIVE TO FINISH THEIR APPOINTED  
TASKS AND MOVE ON. WE NOTED IN THE  
RESPONSE TO THE DOD LEVY ON ARMISH/MAAG COVERING  
SOME OF THE ARMY PROGRAMS THAT THERE ARE AT BEST

MINIMAL INCENTIVES IN THE PROGRAMS COVERED.

3. IT SEEMS TO ME THERE IS AN EXCELLENT OPPORTUNITY TO MAKE SOME SINGULAR PROGRESS IN THIS AREA BY CHANGING THE FIXED FEE CONTRACTUAL ARRANGEMENTS TO AWARD FEE ARRANGEMENTS IN RENEGOTIATING THE USG CONTRACTS WITH BELL HELICOPTER INTERNATIONAL (BHI) TO COVER THE VARIOUS ELEMENTS OF THE IIAA HELICOPTER PROGRAM. THIS, OF COURSE, WOULD BE MOST IMPORTANT WITH THREE MAIN CONTRACTS COVERING IHSRC, PILOT TRAINING AND MAINTENANCE SUPPORT (TO INCLUDE FASCS AND UNIT MECHANICS), BUT WE MIGHT JUST AS WELL DO IT IN ALL THE NEW CONTRACTS WITH BHI.

4. ANOTHER USEFUL MANAGEMENT TOOL TO ENHANCE CONTRACTOR INCENTIVE TO GET ON WITH THE JOB IS TO INCLUDE THE MOST PRECISE AND FULLY DETAILED STATEMENT OF WORK SPECIFICALLY LINKED TO A SUBJECTIVE INCENTIVE FEE COVERING CONTRACTOR INVOLVEMENT IN A GIVEN PROGRAM OR ACTIVITY. BY THAT WE MEAN THE FEE WOULD BE AWARDED (OR WITHELD) BASED ON AN IN-COUNTRY REVIEW PERFORMED BY A COMMITTEE, SUCH AS IS BEING DONE IN THE PEACE LOG PROGRAM. THIS SHOULD CERTAINLY BE DONE WITH RESPECT TO THE NEW BELL CONTRACTS. I UNDERSTAND THAT UNDER THE CURRENT BELL CONTRACTS MILESTONES ONLY PROVIDE

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LIMITED INCENTIVE TO THE CONTRACTOR.

5. FURTHER, IN EVERY CASE WE SHOULD ALSO BE HELPING THE GOI TO HOLD DOWN CONTRACTOR NUMBERS, SUCH AS WE ARE DOING AS THEY CONSIDER WHICH CONTRACTOR TO SELECT TO PROVIDE BASE SUPPORT FOR THE IIAF AT KAATAMI. THE TWO CONTENDING CONTRACTORS (BOEING AND NORTHROP) HAVE IN THE VIEW OF ARMISH/MAAG AIR FORCE SECTION GREATLY OVERSTATED CONTRACTOR EMPLOYEE REQUIREMENTS IN THEIR PROPOSALS, AND THE IIAF IS PRESSING FOR MARKED REDUCTIONS.

6. THESE ELEMENTS (AND PROBABLY OTHERS AS WELL) WILL BE IMPORTANT IF WE ARE TO BE SUCCESSFUL IN THE EFFORT TO PROVIDE INCENTIVE TO HAVE CONTRACTORS PERFORM AGREED TASKS WITHIN AGREED PERIODS OF TIME. HOWEVER, IT SEEMS CLEAR TO ME THAT WE CAN MAKE A GOOD START IN THE PROCESS OF DEVELOPING MEANINGFUL CONTRACTOR INCENTIVES THROUGH AWARD FEE CONTRACTS AND DETAILED AND PRECISE STATEMENTS OF WORK AS INDICATED ABOVE. I BELIEVE WE SHOULD INCLUDE BOTH IN THE NEW BELL CONTRACTS.

SULLIVAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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**Disposition Reason:**  
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**Executive Order:** GS  
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